

### 3. Political Environment

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*It refers to the influence exerted by the three political institutions viz., legislature executive and the judiciary in shaping, directing, developing and controlling business activities.*

All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. It sends a signal of strength, confidence to various interest groups and investors.

#### Role of Government in Business in Political Environment

**1. Regulator of Business :** The entire regulatory **legislations** and policies stand covered under this segment. On the one hand, there is a very large indirect area of government control over the functioning of private sector business through budgetary and monetary policies.

Government's regulatory functions with regard to trade, business and industry aim at laying down the limits for the private enterprise.

The regulatory functions of the Government include :

- (i) Restraints on private activities,
- (ii) Control of monopoly and big business,
- (iii) Development of public enterprises as an alternative to private enterprises to ensure competitive dualism
- (iv) Maintenance of a proper socioeconomic infrastructure.

**2. Promoter of Business :** The promotional role of the government in relation to industries can be seen as providing finance to industry, in granting various incentives and in creating infrastructure facilities for industrial growth and investment.

The District Industrial Centers are assisting the development of small industries. The government is actively helping the industrial development of the country by providing finance to them through the development banks.

**3. Govt. as Entrepreneur :** Encourage entrepreneurship and support small entrepreneurs through grants and aid.

**4. Govt. as Planner :** The government indicates various priorities in the Five Year Plans and also the sectorial allocation of resources. Mixed economies are democratically planned economies.

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*The idea of economic planning can be traced to three different sources: Rationalism, Socialism and Nationalism.*

Economists advocate a planned economy on the ground that it can be a **rational** economy which can utilize the available resources in an optimal manner.

The **socialists** advocate a planned economy because it helps to achieve some desirable social ends like economic equality. An unplanned economy, left to it, is incapable of attaining the social ends.

The **Nationalists** advocate a planned economy because a planned economy is a powerful economy. The nationalists want to use planning as a weapon to strengthen the military power of the country. Hitler in Germany and Mussolini in Italy resorted to planning to achieve political motive.

The World Bank has identified four principles to reflect the overall range of the role of government for creating an enabling environment for corporate social responsibility as follows:

**1. Mandating** : Provisioning of formal command and control legislation, regulation and providing legal and fiscal penalties.

**2. Facilitating** : Government provides a supportive environment by unifying different spheres of government for economic growth and social stability.

**3. Partnering** : The private sector plays a leading role in development and service provisioning, government creates an enabling environment for the private sector to deliver services and to grow its operations.

**4. Endorsing** : Endorsement by means of political support, public procurement and providing publicity and buy-in.

#### ***Role of Government in Business***

- *Create a policy framework that is pro-business and pro-employment.*
- *Co-ordinate with industry associations and business entities to advance innovation, ensure compliance, balance profits with employee focused social benefits, and encourage competition by effectively checking monopolies.*
- *Encourage entrepreneurship and support small entrepreneurs through grants and aid.*
- *Improve the education ecosystem to create well-paying jobs and ensure a pipeline of skilled candidates for industry to hire.*
- *Create a business-friendly and people-friendly tax regime, where consumption is taxed instead of basic services.*
- *Partner with countries around the world so that the country can leverage economies of scale and innovation from across the world.*
- *Create programs that will foster productivity and effectiveness, social contribution and sustainability.*
- *Protect Intellectual Property and punish copyright infringement.*
- *Ensure comprehensive rule-of-law and protection to businesses and entrepreneurs.*